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SUBJECT: NEW GULF FIBER OPTIC CABLE TO SIGNIFICANTLY EXPAND REGION'S INFRASTRUCTURE

(SBU) KEY POINTS

-- Gulf Bridge International (GBI), a new company representing a consortium of Gulf public and private investors, plans to lay a new fiber optic cable in the Gulf by Q1 2011. It has signed a \$300 million supply and construction contract with U.S. firm Tyco.

-- The cable will have landings in each GCC state, Iran, and Iraq.

(SBU) COMMENTS

-- While GBI's timeline for getting its network operational is ambitious, successful completion of the project will represent a major infrastructure upgrade for the Gulf countries, enabling further economic growth and educational possibilities.

-- The expanded bandwidth provided by the cable will also help the Gulf states realize their ambitious educational, science, and technology goals.

End Key Points and Comments.

¶1. (SBU) Ambassador and Econoff Fabrycky met July 6 with Gulf Bridge International (GBI) CEO and Board Member Ahmed Mekky and Business Consultant Mohamed Elagazy to discuss GBI's plans to build a new fiber optic network in the Gulf which will eventually link all GCC states, Iran, Iraq, and perhaps more regional states through horizontal expansion. More detailed information on the project is available at www.gulfbridgeinternational.com.

¶2. (SBU) According to the GBI officials, there is only one comparable existing cable in the Gulf, the Falcon cable owned by an Indian company (Reliance) which began operations in 2005. A number of cables skirt the Gulf states on an east-west route, landing in Oman and then continuing to India in the east and the Red Sea/Mediterranean in the west. (Note: As with South Asia, Gulf states saw a number of major disruptions to broadband services last year when undersea cables in the Mediterranean and the Gulf were cut, underscoring the lack of redundancy in fiber optic networks in this region). The GBI plan calls for the cable to run out of the Gulf east to Mumbai and then on to the U.S. From the west, the cable is to connect to Milan.

Mix of Gulf Shareholders

¶3. (SBU) A mix of Gulf Arab public and private investors own GBI. The major shareholder (35 percent) is Qatar Foundation through its Knowledge Ventures subsidiary. (Note: QF is a sprawling social development organization run by the Amir's consort Shakha Mozah. The Knowledge Ventures subsidiary is QF's profit-making arm and increasingly involved in educational and technology related business

deals - e.g., it is the group responsible for QF's joint venture with Vodafone, the holder of Qatar's second mobile license).

¶14. (SBU) According to Mekky, the Qatar Investment Authority (QIA) holds at least 5 percent of the company's shares and may expand to 10 percent. GBI is also in the final stages of securing Kuwait Investment Authority (KIA) participation. Qatar's Al-Rayyan bank is underwriting the group's plan. (Note: The bank's Chairman happens to be Dr. Hussein Al-Abdulla, the QIA's Managing Director.) According to Mekky, the venture will start with 80 percent equity and 20 percent debt, and the financing is on track to be completed by the end of July.

¶15. (SBU) Despite the apparently heavy tilt toward Qatari investment in the project, Mekky assured that the cable had diverse participation from across the Gulf and would serve all telecom operators. Surveying recent Gulf deregulation of the industry, Mekky projected there would be multiple users of the service, and GBI plans to keep the operator rights neutral.

¶16. (SBU) Mekky also divulged that an Iraqi delegation from the Iraqi Telecom and Postal Company would be in Doha this week to sign a landing agreement with GBI.

¶17. (SBU) In the second phase of operations, Mekky projected that GBI would undertake vertical expansion and provide services. GBI is in talks with Google which is considering placing a data center in Qatar (the next closest one is in India).

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